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SUBJECT: SUPPORT FOR CONTINUANCE OF AGOA THIRD COUNTRY
FABRIC PROVISION

REF: STATE 131825

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11. SUMMARY: The Government of Senegal (GOS) has selected the textile and apparel sector as a strategic growth sector for its Accelerated Growth Strategy. Although Senegalese companies continue to have limited, domestic production of cloth and finished apparel, companies are making noticeable efforts to modernize in order to export apparel to the U.S. market under the African Growth and Opportunity Act (AGOA). Most of these companies import fabrics from Asia and Europe because they are not produced in large quantities domestically. Overall, the private sector supports extension of the third country fabric provision. END SUMMARY.

APIX EFFORTS TO REVITALIZE THE INDUSTRY

12. Senegal's Investment Promotion Agency (APIX) reports that many textile factories in Senegal are dormant. The agency is currently researching strategies to modernize some industrial textile facilities, to provide incentives for foreign direct investment in the sector, and to organize the artisan level -- apparel/confection sub-sector. Businesses operating in Senegal report lack of financing, erratic and costly electricity, unskilled labor, and low worker productivity as challenges to expansion. A recent study commissioned by APIX recommends the establishment of a Textile Promotion Center to revitalize trade associations, improve technical information and training, and promote lobbying. This center does exist but is not operational due to lack of financing.

BUT PRODUCTION IS STILL LOW

13. Meanwhile, Senegal's textile companies continue to have limited domestic production of cloth and finished apparel. Although some companies still do not operate at full capacity, some are in the process of expanding their production lines. Garments manufactured at the industrial level include work uniforms, scrubs, t-shirts, sportswear and towels. Senegal also has a thriving fashion sector with designs being crafted in traditional workshops for sale in niche Western markets.

¶4. Almost all fabrics are imported from Asia and higher-end wax fabric is imported from Europe to be printed and dyed with traditional, African designs in Senegal for sale in domestic and regional markets. Sales are estimated at approximately 30 million meters per year. Textile exports average less than five billion CFA francs (CFAF) (USD 9 million dollars) per year. Senegal also exports several hundred tons of thread per year to Europe, and there is regional demand for additional thread exports. The low level of exports contrasts with the size of the domestic market, estimated at 130 billion CFAF (USD 260 million). A possible explanation for this is the used-clothing import industry, garment smuggling, and the undervaluation of apparel imports. In 2005, the GOS reported 6,600 tons of used clothing valued at three billion CFAF (USD 6 million).

¶5. Several small to medium-sized firms claim to be gearing up to take advantage of AGOA trade benefits and strongly support an extension of AGOA's third country fabric provision. INDOSEN, a Senegalese company with Moroccan and Indian investment will receive Ex-ImBank financing to import digital equipment to improve its production of work uniforms to meet American demand. INDOSEN claims to have several orders in the pipeline, but it has not yet begun production and is currently in the process of training the local workforce. It expects production will start in early September 2006. Ets Solu and EGA Confection have also ordered digital machinery to increase production of sportswear and scrubs, respectively, for export to the U.S. Both companies are working with the West African Trade Hub (WATH) in Accra to find American buyers.

TEXTILE PRODUCTION FACILITIES

¶6. The following is a list of companies involved in the Senegal's apparel, textile, and yarn industry:

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-- EGA CONFECTION: Manufacturer of uniforms, scrubs, and men's wear. It has modern, digital equipment with a production capacity of 600 - 1,200 pieces per day; imports fabrics from Morocco and Asia; employs 22 full-time and 80 part-time staff.

-- ETS SOLU: Sportswear manufacturer using 75 non-digital machines and an electric embroidery machine. It claims to have on order 75 new digital sewing machines but admits to lack of skilled labor to use and repair them in country; has production capacity of 30,000 pieces per month; imports fabrics from Asia; employs 48 full-time and 15 part-time staff.

-- NSTS/FTT "La Nouvelle Societe Textile Senegalaise:" Partial owner of INDOSEN. It produces large-gauge thread and unbleached fabric; has 148 Sulzer looms (110 to 130 inch), 12,000 spindles, 648 open-end spinning RU 14 rotors.

-- INDOSEN (40 percent owned by NSTS): Indian/Senegalese joint venture that spins, weaves, knits, dyes, finishes, prints, and manufactures work wear. It recently secured approval for Ex-ImBank financing to import 221 specialized, digital sewing machines from the U.S.; other equipment includes 18,000 spindles, 160 rapier looms, 12 circular and 2 flat knitting machines, 190 sewing machines, 140 specialized sewing machines (non-digital) and 120 cut sewing machines. It has a production capacity of 5 million pieces per year; imports poly-cotton blends from Asia; expects to launch production in September 2006; and will employ 760 full-time staff.

-- COSETEX: Printing and dying company with two lines of non-digital machinery producing 1 million meters of "fancy

cloth" per month. It imports cloth from India, Benin, Nigeria, and Mali for sale domestically and for exports to West Africa, Europe, and the U.S. (in 2001 and 2002). It is currently prospecting American market and has 80 staff.

-- SOTIBA: Printing company that employs non-digital, printing and dying equipment to produce 1 million meters per month of "fancy cloth." It imports cotton from India for sale in Senegal and has 250-300 full-time staff.

-- CCV "Cotonnier du Cap Vert:" Merged with the former SOSEFIL. Activities including ginning, spinning, weaving, knitting, dying, and manufacturing to produce approximately 1,200 tons total of thread, dishtowels, and t-shirts per year; equipment includes 28 non-digital sewing machines; 5 knitting machines; and 3 cotton spinning machines. It sources cotton in Senegal, uses its own cloth for t-shirts and dishtowels, sells in Senegal, exports to the sub-region, and has 250-300 staff.

-- SODEFITEX "Societe de Developpement des Fibres Textiles:" ISO 9001 certified ginning/cotton fiber company with five factories in eastern Senegal, producing a total of 56,000 tons of cotton fiber per year. It sells in Senegal and exports to Asia, South America and Europe. It sources its cotton in Senegal and employs 460 full-time and 4,000 part-time staff.

JACOBS